

ESHB 1064 - S COMM AMD  
By Committee on Ways & Means

ADOPTED 04/07/2005

1 Strike everything after the enacting clause and insert the  
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature finds that:

4 (1) Citizens demand and deserve accountability of public programs.  
5 Public programs must continuously improve in quality, efficiency, and  
6 effectiveness in order to increase public trust;

7 (2) Washington state government and other entities that receive tax  
8 dollars must continuously improve the way they operate and deliver  
9 services so citizens receive maximum value for their tax dollars;

10 (3) An independent citizen advisory board is necessary to ensure  
11 that government services, customer satisfaction, program efficiency,  
12 and management systems are world class in performance;

13 (4) Fair, independent, professional performance audits of state  
14 agencies are essential to improving the efficiency and effectiveness of  
15 government; and

16 (5) The performance audit activities of the joint legislative audit  
17 and review committee should be supplemented by making fuller use of the  
18 state auditor's resources and capabilities.

19 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.09 RCW  
20 to read as follows:

21 For purposes of sections 3 through 6, 8, 9, and 11 of this act:

22 (1) "Board" means the citizen advisory board created in section 3  
23 of this act.

24 (2) "Draft work plan" means the work plan for conducting  
25 performance audits of state agencies proposed by the board and state  
26 auditor after the statewide performance review.

27 (3) "Final performance audit report" means a written document  
28 jointly released by the citizen advisory board and the state auditor

1 that includes the findings and comments from the preliminary  
2 performance audit report.

3 (4) "Final work plan" means the work plan for conducting  
4 performance audits of state agencies adopted by the board and state  
5 auditor.

6 (5) "Performance audit" means an objective and systematic  
7 assessment of a state agency or any of its programs, functions, or  
8 activities by an independent evaluator in order to help public  
9 officials improve efficiency, effectiveness, and accountability.  
10 Performance audits include economy and efficiency audits and program  
11 audits.

12 (6) "Preliminary performance audit report" means a written document  
13 prepared after the completion of a performance audit to be submitted  
14 for comment before the final performance audit report. The preliminary  
15 performance audit report must contain the audit findings and any  
16 proposed recommendations to improve the efficiency, effectiveness, or  
17 accountability of the state agency being audited.

18 (7) "State agency" or "agency" means a state agency, department,  
19 office, officer, board, commission, bureau, division, institution, or  
20 institution of higher education. "State agency" includes all offices  
21 of executive branch state government elected officials.

22 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.09 RCW  
23 to read as follows:

24 (1) The citizen advisory board is created to improve efficiency,  
25 effectiveness, and accountability in state government.

26 (2) The board shall consist of ten members as follows:

27 (a) One member shall be the state auditor, who shall be a nonvoting  
28 member;

29 (b) One member shall be the legislative auditor, who shall be a  
30 nonvoting member;

31 (c) One member shall be the director of the office of financial  
32 management, who shall be a nonvoting member;

33 (d) Four of the members shall be selected by the governor as  
34 follows: Each major caucus of the house of representatives and the  
35 senate shall submit a list of three names. The lists may not include  
36 the names of members of the legislature or employees of the state. The

1 governor shall select a person from each list provided by each caucus;  
2 and

3 (e) The governor shall select three citizen members who are not  
4 state employees.

5 (3) The board shall elect a chair. The legislative auditor, the  
6 state auditor, and the director of the office of financial management  
7 may not serve as chair.

8 (4) Appointees shall be individuals who have a basic understanding  
9 of state government operations with knowledge and expertise in  
10 performance management, quality management, strategic planning,  
11 performance assessments, or closely related fields.

12 (5) Members selected under subsection (2)(d) and (e) of this  
13 section shall serve for terms of four years, with the terms expiring on  
14 June 30th on the fourth year of the term. However, in the case of the  
15 initial members, two members shall serve four-year terms, two members  
16 shall serve three-year terms, and one member shall serve a two-year  
17 term, with each of the terms expiring on June 30th of the applicable  
18 year. Appointees may be reappointed to serve more than one term.

19 (6) The office of the state auditor shall provide clerical,  
20 technical, and management personnel to the board to serve as the  
21 board's staff.

22 (7) The board shall meet at least once a quarter and may hold  
23 additional meetings at the call of the chair or by a majority vote of  
24 the members of the board.

25 (8) The members of the board shall be compensated in accordance  
26 with RCW 43.03.220 and reimbursed for travel expenses in accordance  
27 with RCW 43.03.050 and 43.03.060.

28 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.09 RCW  
29 to read as follows:

30 The board shall establish an assessment and performance grading  
31 program. The program shall consist of conducting performance  
32 assessments and grading state agency performance. Assessments shall be  
33 implemented on a phased-in schedule. Initial areas to be assessed  
34 shall include quality management, productivity and fiscal efficiency,  
35 program effectiveness, contract management and oversight, internal  
36 audit, internal and external customer satisfaction, statutory and

1 regulatory compliance, and technology systems and on-line services. As  
2 part of this program, the board shall:

3 (1) Consult with and seek input from elected officials, state  
4 employees including front-line employees, and professionals with a  
5 background in performance management for establishing the grading  
6 standards. In developing the criteria, the board shall consider  
7 already developed best practices and audit criteria used by government  
8 or nongovernment organizations. Before the assessment, the agencies  
9 shall be given the criteria for the assessment and the standards for  
10 grading;

11 (2) Contract or partner with those public or private entities that  
12 have expertise in developing public sector reviews applying fact-based  
13 objective criteria and/or technical expertise in individual assessment  
14 areas to perform the assessments and grading of all state agencies.  
15 The board may contract or partner with more than one entity for  
16 different assessment areas; and

17 (3) Submit the results of the assessment and grading program to the  
18 governor, the office of financial management, appropriate legislative  
19 committees, and the public by December 15th of each year. The results  
20 of the assessments and performance grading shall be posted on the  
21 internet.

22 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.09 RCW  
23 to read as follows:

24 (1) The board and the state auditor shall collaborate with the  
25 joint legislative audit and review committee regarding performance  
26 audits of state government.

27 (a) The board shall establish criteria for performance audits  
28 consistent with the criteria and standards followed by the joint  
29 legislative audit and review committee. This criteria shall include,  
30 at a minimum, the auditing standards of the United States government  
31 accountability office, as well as legislative mandates and performance  
32 objectives established by state agencies and the legislature. Mandates  
33 include, but are not limited to, agency strategies, timelines, program  
34 objectives, and mission and goals as required in RCW 43.88.090.

35 (b) Using the criteria developed in (a) of this subsection, the  
36 state auditor shall contract for a statewide performance review to be  
37 completed as expeditiously as possible as a preliminary to a draft work

1 plan for conducting performance audits. The board and the state  
2 auditor shall develop a schedule and common methodology for conducting  
3 these reviews. The purpose of these performance reviews is to identify  
4 those agencies, programs, functions, or activities most likely to  
5 benefit from performance audits and to identify likely areas warranting  
6 early review, taking into account prior performance audits, if any, and  
7 prior fiscal audits.

8 (c) The board and the state auditor shall develop the draft work  
9 plan for performance audits based on input from citizens, state  
10 employees, including front-line employees, state managers, chairs and  
11 ranking members of appropriate legislative committees, the joint  
12 legislative audit and review committee, public officials, and others.  
13 The draft work plan may include a list of agencies, programs, or  
14 systems to be audited on a timeline decided by the board and the state  
15 auditor based on a number of factors including risk, importance, and  
16 citizen concerns. When putting together the draft work plan, there  
17 should be consideration of all audits and reports already required. On  
18 average, audits shall be designed to be completed as expeditiously as  
19 possible.

20 (d) Before adopting the final work plan, the board shall consult  
21 with the legislative auditor and other appropriate oversight and audit  
22 entities to coordinate work plans and avoid duplication of effort in  
23 their planned performance audits of state government agencies. The  
24 board shall defer to the joint legislative audit and review committee  
25 work plan if a similar audit is included on both work plans for  
26 auditing.

27 (e) The state auditor shall contract out for performance audits.  
28 In conducting the audits, agency front-line employees and internal  
29 auditors should be involved.

30 (f) All audits must include consideration of reports prepared by  
31 other government oversight entities.

32 (g) The audits may include:

33 (i) Identification of programs and services that can be eliminated,  
34 reduced, consolidated, or enhanced;

35 (ii) Identification of funding sources to the state agency, to  
36 programs, and to services that can be eliminated, reduced,  
37 consolidated, or enhanced;

- 1 (iii) Analysis of gaps and overlaps in programs and services and  
2 recommendations for improving, dropping, blending, or separating  
3 functions to correct gaps or overlaps;
- 4 (iv) Analysis and recommendations for pooling information  
5 technology systems used within the state agency, and evaluation of  
6 information processing and telecommunications policy, organization, and  
7 management;
- 8 (v) Analysis of the roles and functions of the state agency, its  
9 programs, and its services and their compliance with statutory  
10 authority and recommendations for eliminating or changing those roles  
11 and functions and ensuring compliance with statutory authority;
- 12 (vi) Recommendations for eliminating or changing statutes, rules,  
13 and policy directives as may be necessary to ensure that the agency  
14 carry out reasonably and properly those functions vested in the agency  
15 by statute;
- 16 (vii) Verification of the reliability and validity of agency  
17 performance data, self-assessments, and performance measurement systems  
18 as required under RCW 43.88.090;
- 19 (viii) Identification of potential cost savings in the state  
20 agency, its programs, and its services;
- 21 (ix) Identification and recognition of best practices;
- 22 (x) Evaluation of planning, budgeting, and program evaluation  
23 policies and practices;
- 24 (xi) Evaluation of personnel systems operation and management;
- 25 (xii) Evaluation of state purchasing operations and management  
26 policies and practices; and
- 27 (xiii) Evaluation of organizational structure and staffing levels,  
28 particularly in terms of the ratio of managers and supervisors to  
29 nonmanagement personnel.
- 30 (h) The state auditor must solicit comments on preliminary  
31 performance audit reports from the audited state agency, the office of  
32 the governor, the office of financial management, the board, the chairs  
33 and ranking members of appropriate legislative committees, and the  
34 joint legislative audit and review committee for comment. Comments  
35 must be received within thirty days after receipt of the preliminary  
36 performance audit report unless a different time period is approved by  
37 the state auditor. All comments shall be incorporated into the final  
38 performance audit report. The final performance audit report shall

1 include the objectives, scope, and methodology; the audit results,  
2 including findings and recommendations; conclusions; and identification  
3 of best practices.

4 (i) The board and the state auditor shall jointly release final  
5 performance audit reports to the governor, the citizens of Washington,  
6 the joint legislative audit and review committee, and the appropriate  
7 standing legislative committees. Final performance audit reports shall  
8 be posted on the internet.

9 (j) For institutions of higher education, performance audits shall  
10 not duplicate, and where applicable, shall make maximum use of existing  
11 audit records, accreditation reviews, and performance measures required  
12 by the office of financial management, the higher education  
13 coordinating board, and nationally or regionally recognized  
14 accreditation organizations including accreditation of hospitals  
15 licensed under chapter 70.41 RCW and ambulatory care facilities.

16 (2) The citizen board created under RCW 44.75.030 shall be  
17 responsible for performance audits for transportation related agencies  
18 as defined under RCW 44.75.020.

19 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.09 RCW  
20 to read as follows:

21 If the legislative authority of a local jurisdiction requests a  
22 performance audit of programs under its jurisdiction, the state auditor  
23 has the discretion to conduct such a review under separate contract and  
24 funded by local funds.

25 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.88 RCW  
26 to read as follows:

27 In addition to the authority given the state auditor in RCW  
28 43.88.160(6), the state auditor is authorized to contract for and  
29 oversee performance audits pursuant to section 5 of this act.

30 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.09 RCW  
31 to read as follows:

32 By June 30, 2007, and each four years thereafter, the joint  
33 legislative audit and review committee shall contract with a private  
34 entity for a performance audit of the performance audit program

1 established in section 5 of this act and the board's responsibilities  
2 under the performance audit program.

3 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.09 RCW  
4 to read as follows:

5 The audited agency is responsible for follow-up and corrective  
6 action on all performance audit findings and recommendations. The  
7 audited agency's plan for addressing each audit finding and  
8 recommendation shall be included in the final audit report. The plan  
9 shall provide the name of the contact person responsible for each  
10 action, the action planned, and the anticipated completion date. If  
11 the audited agency does not agree with the audit findings and  
12 recommendations or believes action is not required, then the action  
13 plan shall include an explanation and specific reasons.

14 For agencies under the authority of the governor, the governor may  
15 require periodic progress reports from the audited agency until all  
16 resolution has occurred.

17 For agencies under the authority of an elected official other than  
18 the governor, the appropriate elected official may require periodic  
19 reports of the action taken by the audited agency until all resolution  
20 has occurred.

21 The board may request status reports on specific audits or  
22 findings.

23 NEW SECTION. **Sec. 10.** A new section is added to chapter 2.56 RCW  
24 to read as follows:

25 The office of the administrator for the courts is encouraged to  
26 conduct performance audits of courts under the authority of the supreme  
27 court, in conformity with criteria and methods developed by the board  
28 for judicial administration that have been approved by the supreme  
29 court. In developing criteria and methods for conducting performance  
30 audits, the board for judicial administration is encouraged to consider  
31 quality improvement programs, audits, and scoring. The judicial branch  
32 is encouraged to submit the results of these efforts to the chief  
33 justice of the supreme court or his or her designee, and with any other  
34 applicable boards or committees established under the authority of the  
35 supreme court to oversee government accountability.

1        NEW SECTION.   **Sec. 11.**   A new section is added to chapter 43.09 RCW  
2 to read as follows:

3        (1) Each biennium the legislature shall appropriate such sums as  
4 may be necessary, not to exceed an amount equal to two one-hundredths  
5 of one percent of the total general fund state appropriation in that  
6 biennium's omnibus operating appropriations act for purposes of the  
7 performance review, performance audits, and activities of the board  
8 authorized by this chapter.

9        (2) The board and the state auditor shall submit recommended  
10 budgets for their responsibilities under sections 2 through 6, 8, and  
11 9 of this act to the auditor, who shall then prepare a consolidated  
12 budget request, in the form of request legislation, to assist in  
13 determining the funding under subsection (1) of this section."

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By Committee on Ways & Means

**ADOPTED 04/07/2005**

14        On page 1, line 2 of the title, after "accountability;" strike the  
15 remainder of the title and insert "adding new sections to chapter 43.09  
16 RCW; adding a new section to chapter 43.88 RCW; adding a new section to  
17 chapter 2.56 RCW; and creating new sections."

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